

Service Date: June 2, 1978

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application of)
THE MONTANA POWER COMPANY for) Docket No. 6546
authority to increase rates for) Order No. 4417a
Missoula water service and regulatory)
approval of certain changes in the) INTERIM RATE ORDER
regulations covering such service.)

1. On November 23, 1977, the Commission received the application of the Montana Power Company (MPC or Applicant) for authority to increase the rates charged customers of its water utility in Missoula, Montana. If approved the higher rates would generate \$1,080,235 of additional revenue on an annual basis.
2. A Consolidated Motion for Temporary Rate Increases in Dockets 6545 and 6546 was received by the Commission on March 28, 1978. In its Motion, the Company asked the Commission to grant temporary rate relief which would produce \$721,922 of increased yearly revenue. The level of the request was chosen to equal the permanent revenue increase recommended by Dr. John W. Wilson, witness for the Montana Consumer Counsel (MCC), in this Docket.
3. On April 12, 1978, the Consumer Counsel replied to the Applicant's Motion for Temporary Rate Increases by asserting that the recommendations of his witness represented the maximum permissible increase and that Wilson's testimony was addressed to the need for permanent, not interim, relief. Further, the reply requested that Commission action on interim relief be delayed until the conclusion of hearings in Missoula.

4. By Commission vote on April 24, 1978, consideration of temporary rate increases was deferred in accordance with MCC's request.

5. Hearings were held in Docket Nos. 6545 and 6546 May 1, 2, and 3 in Missoula and Superior. During the course of these hearings, Dr. Wilson modified his recommendation for increased revenues, arguing that adjustment was appropriate in light of the 22.8% effective income tax rate borne by Montana Power in 1977. Utilization of this tax rate reduced the level of necessary rate increases to \$512,932 for Missoula.

6. The Commission finds that Applicant should be accorded interim rate relief in its Missoula water utility operations at this time. During the May hearings, Montana Power demonstrated that it has experienced and continues to anticipate deficits in its two water utilities. Through the testimony of his witness, the Consumer Counsel has conceded that an increase in revenues is justified for the utility in Missoula. Because the residential sprinkling season begins in May and sprinkling accounts for a large fraction of water used during the year, the Commission believes that interim relief must be granted at this time to afford Applicant an opportunity to recover the costs associated with serving its Missoula customers during the period of high consumption.

7. Pending its determination of the permanent rate increase warranted in these proceedings, the Commission finds that interim relief to the level of the permanent need conceded by Consumer Counsel's witness is appropriate. The smallest revenue concession by Dr. Wilson was \$512,932, calculated with a 22.8% effective tax rate. Granting of interim relief to this dollar amount does not, however, imply acceptance of

the effective tax rate for purposes of deriving additional revenue needs in this Docket; the appropriateness of said tax rate shall be considered as the final order is prepared.

8. The revenue increase of \$512,932 shall be effectuated by increasing each rate for water service 63% above its current level. This percentage is determined as follows:

$$\frac{\text{Increase Conceded by MCC Using 22.8\% Tax Rate}}{\text{MCC Test Year Revenues}} = \frac{\$512,932}{811,786} = 63\%$$

Utilization of MCC test year revenues in this instance does not connote Commission agreement with the revenue adjustments proposed by Dr. Wilson; rather, the \$811,786 figure was chosen to be consistent with the use of the revenue increase conceded by the Consumer Counsel. In deliberations preceding the issuance of a final order in this Docket, the Commission will consider the propriety of rate case adjustments to revenue made by Dr. Wilson.

9. Several public witnesses testifying at the hearings in Missoula expressed a desire to have their water consumption metered were rates to be increased above their current levels. Rule 9-1 of the Montana Power Company's submitted and approved tariff for water service in Missoula sets out the procedure to handle such requests at the Company's expense. Given the constraints imposed by the availability of manpower and metering equipment, meters shall be installed within a reasonable time period following a customer's request.

CONCLUSIONS OF LAW

1. The Montana Power Company is a public utility furnishing water service to customers in the state of Montana. This Commission has jurisdiction over the rates and charges for

utility service and the conditions under which such service is rendered.

2. Revised Codes of Montana 1947, Sec. 70-113, as amended, provides in part that the Commission may, in its discretion, temporarily approve increases pending a hearing or final decision.

3. Full and adequate public notice of all proceedings in this Docket has been given.

4. The rate levels and rate structures approved herein are a reasonable means of providing interim relief to the Applicant. The rebate provision of Sec. 70-113 is a safeguard against any charges approved herein which might ultimately be determined unreasonable.

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The Montana Power Company may institute Temporary Rate Increases of \$512,932 by filing tariffs effective upon their approval by the Commission. The tariffs shall reflect a 63% increase over current rates for each service category.

2. To avoid retroactive rate making, the Commission orders that flat-rate sprinkling customers shall be charged the higher rates herein authorized for only that portion of the sprinkling season on or after the approval date of the new tariffs. Service before that date shall bear the rates set forth in the present tariffs. Because the sprinkling season is five months in duration and rates are established for the

full season, the seasonal charges under the old and new rates must be prorated to reflect the proportions of service rendered under each tariff schedule. The method of proration must be approved by the Commission before it is used in customer billing.

3. The increase granted is subject to rebate should the final order in this Docket determine that an increase less than that authorized by this Order is warranted.

4. In the event that a rebate is directed by the final order in this Docket, provision shall be made in that order to cause all uncollected rebates to be escheated to the State of Montana in the manner provided by law. Any rebate ordered shall bear an interest rate of ten percent on an annual basis from the time collected.

DONE IN OPEN SESSION in Helena, Montana, on May 31, 1978 by a 3-2 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

GORDON E. BOLLINGER, Chairman

P.J. GILFEATHER, Commissioner

THOMAS J. SCHNEIDER, Commissioner

JAMES R. SHEA, Commissioner
(Voting to Dissent)

GEORGE TURMAN, Commissioner
(Voting to Dissent)

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: You are entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Reconsideration is filed, a commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of the(10) days following the filing of that motion. Cf. The Montana Administrative Procedure act, esp. Sec. 82-4216, R.C.M 1947; and commission rules of Practice and Procedure, esp. 38-2.2(64)-P2750, ARM

DISSENT OF COMMISSIONER TURMAN

Montana Power's applications for water rate increases in Missoula and Superior are being processed in a deliberate manner under the "nine month statute." Temporary rate increases are unnecessary and unwarranted under that statute.

ATTEST:

Madeline L. Cottrill
Commission Secretary

{SEAL}

GEORGE TURMAN , Commissioner